

Fact Sheet

Title: Exploration Incentive Credit Program **(Authorized under AS 27.30.010 – 27.30.99)**

This program was established to stimulate new mineral exploration activities in the State of Alaska. Approved expenditures from certain mineral exploration activities serve as deductible credits which can be applied against future state mining license tax and corporate income tax or state royalty owed from mine production resulting from exploration efforts.

Exploration activities and their expenditures, which qualify under this program, are:

- Geochemical and geophysical survey programs
- Exploration drilling
- Underground exploration
- Surface trenching and bulk sampling
- Other exploration work, including aerial photo, logging, sample analysis, and metallurgical work.

Only those exploration activities and expenditures, which occur leading up to the decision to develop a mine (mine construction commencement date), are eligible. The mine construction commencement date is the date most mining permits and other required permits have been issued and remaining permits are forthcoming.

An application for certification of exploration incentive credits by the Department of Natural Resources (DNR) must be made on DNR's form, and may be made when a tax or royalty payer is ready to apply for the certification and approval of entire credit against upcoming taxes or royalty owed, or when at least \$250,000 in certifiable expenditures have been made.

DNR will respond to an application for certification of exploration expenditures within six months of receipt; otherwise, expenditures as submitted are automatically certified.

In order to apply credits that become certified DNR will identify exploration activity data that must be submitted to the department prior to final approval of the credits. Upon submission of the data which will be kept confidential for three years, DNR will evaluate the data against expenditure records previously submitted, and either approve or disapprove the taking of the credit, or request additional information.

Upon approval of exploration incentive credits by DNR, the credit may be used against tax or royalty liability owed the state up to 50 percent of the mining license tax, corporate income tax, or production royalty. If the approved credit is applied against tax liability, the taxpayer must file for credit on another form provided by the Department of Revenue.

Approved credits that are not used in a given tax or royalty year may be carried forward to the next year(s). Approved credits may not exceed \$20 million dollars, and must be used within 15 years after approval.

Certified or approved credits may be assigned with properties that change ownership if the new owner is qualified.

The fee for applications requesting certification of \$1 million dollars or less is \$500; and the fee for applications requesting certification of \$1 million dollars or more is \$1,000.

Questions concerning this program and how to apply should be directed to the Division of Mining, Land & Water at 907-269-8652.